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August 6, 2004

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CLIENT/MATTER NUMBER
045955-0101

VIA HAND DELIVERY

Mr. Lawrence Calvert
Deputy Associate General Counsel for Enforcement
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

PRE-MUR # 425

Re: Chronology of Events Related to Huffman for Congress / Documentation

Dear Mr. Calvert:

Please find enclosed the Chronology of Events and Documents related to Huffman for Congress and, specifically, the improper campaign loan we have discussed with and disclosed to your office. I had hoped to also develop and obtain sworn affidavits to submit at the same time, but I have not had the opportunity to prepare those this week.

I am going to be out of the office the week of August 9 but will be returning on August 16, 2004. If you need assistance or information during my absence, please send an email to cmitchell@foley.com and I will respond at the earliest opportunity.

We have filed our amended reports disclosing all transactions including the source of the June 17, 2004 loan. As indicated earlier, I worked with Adam Ragan of the Reports Analysis Division who was very helpful in instructing us as to how to properly report the transactions related to all the candidate's loan(s) to the campaign.

I will look forward to hearing from you. My clients and I stand ready to provide whatever assistance we can to your office in order to resolve this matter promptly. Thank you again for your cooperation.

Sincerely,

Cleta Mitchell

Cleta Mitchell, Esq.
Counsel to Huffman for Congress and David
Huffman

Enclosures

cc: Mr. David Huffman

BRUSSELS
CHICAGO
DETROIT
JACKSONVILLE

LOS ANGELES
MADISON
MILWAUKEE
NEW YORK

ORLANDO
SACRAMENTO
SAN DIEGO
SAN DIEGO/DEL MAR

SAN FRANCISCO
SILICON VALLEY
TALLAHASSEE
TAMPA

TOKYO
WASHINGTON, D.C.
WEST PALM BEACH

XXX.XXXXXX.XA

28044191349

Chronology of Events

1. On March 30, 2004, David Huffman obtained a loan of \$100,000 from People's State Bank ("People's") and purchased a certificate of deposit from People's on the same day collateralizing the loan. The People's loan was for 90 days at the People's prime interest rate.

Documentation:

Promissory Note, People's State Bank signed by David Huffman
Collateral Agreements
Certificate of Deposit

2. David Huffman's intent was to provide the certificate of deposit to the campaign for use as needed, but not to be spent unless needed.

3. The certificate of deposit was not put into the name of the campaign but remained in the name of David Huffman, individually, and was on deposit at People's until July 19, 2004. The Committee was not aware that the certificate of deposit was in the name of the candidate rather than the name of the Committee.

4. The certificate of deposit was reported by the campaign as cash on hand in its April 2004 quarterly report.

Documentation: See FEC Report, April Quarterly, 2004 (as filed on April 15, 2004)

5. In early June, 2004, Dean Proctor, Finance Chairman for the Huffman for Congress campaign, approached two banks and bankers about making a loan to David Huffman for use in the campaign and each of the bankers approached by Dean Proctor expressed his willingness to make a loan to David Huffman for his campaign.

6. Because David Huffman was traveling out of town often during the month of June, Dean Proctor decided as a matter of convenience to draw down on his personal line of credit at BB&T and make the funds available to David Huffman for the campaign, and when the candidate had time, they would complete the necessary paperwork to move the loan to David Huffman, the original intended borrower.

7. On June 15, 2004, Dean Proctor withdrew \$100,000 from his personal line of credit at BB&T. The check was made payable to Dean Proctor, who endorsed the check and gave the check to David Huffman, who deposited the funds in his personal bank account at First Citizens Bank on June 17, 2004. David Huffman then wrote a check to the Huffman for Congress campaign from his personal bank account in the amount of \$100,000.00, which the campaign recorded as a loan from David Huffman to the campaign.

Documentation:

BB&T Check – payable to Dean Proctor
BB&T Check - endorsed by Dean Proctor, check deposited to Huffman's
personal account at Citizens Bank

Check from First Citizens Bank, drawn on David Huffman account –
payable to Huffman for Congress

8. The People's loan was renewed on June 30 for 90 days (or until September 30, 2004) and a new promissory note for \$100,000 was signed by David Huffman. The People's certificate of deposit was released by the bank as collateral for its loan, such that the loan is currently unsecured and is made at People's prime interest rate.

Documentation:

Renewed Promissory Note from David Huffman to Peoples State Bank
Release of Collateral
Certificate of Deposit – Name of David Huffman

9. On Saturday, July 17, 2004, Gaye Watts, the finance director for an opposing Republican primary candidate's campaign, came to Dean Proctor's home to talk with him about David Huffman's campaign loans.

10. Dean Proctor told Ms. Watts that he (Dean) had arranged for the loan, believing that doing so was perfectly legal and appropriate. Dean Proctor was told by his friend that it was illegal for him to have made the loan and for David Huffman and the campaign to have received the loan.

11. Dean Proctor was not aware until that time of any restrictions on loans to federal candidates for use by their campaigns.

12. That same day, July 17, 2004, Dean Proctor called Brian Chatman, a consultant to the Huffman for Congress campaign and asked whether there might be some problem with the loan to the campaign, reciting the conversation with Ms. Watts.

13. On July 18, 2004, the following day, Mr. Chatman and Jamie Parsons discussed whether they had made a legal mistake with regard to the loan. Mr. Parsons requested that Mr. Chatman recommend an FEC attorney to advise the campaign, the candidate and all involved as to whether there were indeed any problems with the loan(s).

14. On July 18, 2004, Brian Chatman contacted counsel and arranged for a conference call with counsel, Brian Chatman, Jamie Parsons, Dean Proctor, and David Huffman to advise them regarding the loan. After outlining the details of the transaction(s), they learned that the loan was not made in accordance with the requirements of federal law and FEC regulations.

15. The first banking day thereafter, Monday, July 19, 2004, David Huffman cashed the certificate of deposit and used the proceeds to repay the loan from Dean Proctor, who in turn repaid his personal line of credit at BB&T Bank ("BB&T").

Documentation:

Cashiers Check from People's State Bank to Huffman for Congress
Check from Huffman for Congress to David Huffman

Cashiers Check from David Huffman's bank, First Citizens, payable to
Dean Proctor
Cashiers check to Dean Proctor delivered to BB&T, repaying Dean
Proctor's personal line of credit

16. On July 19, 2004, David Huffman secured a \$150,000 personal line of credit from BB&T. The loan is to be secured by his personal residence but a closing date for that transaction has not yet occurred. The loan is unsecured in the interim.

Documentation:

BB&T Documents re: David Huffman \$150,000 line of credit

17. On July 20, 2004, Cleta Mitchell, retained as Counsel for the Committee, the candidate and Dean Proctor, contacted the FEC Office of General Counsel and advised the General Counsel that there were problems with a loan to the candidate and the Committee, and requested a meeting with the Office of General Counsel to fully disclose to the FEC the issues and problems related to the loan.

Documentation:

July 20, 2004 Letter from Cleta Mitchell to Lawrence Norton, General
Counsel of Federal Election Commission

18. On July 27, 2004, David Huffman drew down \$100,000 on his BB&T line of credit and loaned the funds to the campaign.

Documentation:

July 27, 2004 – Check from BB&T to David Huffman, endorsed by David
Huffman and deposited by campaign on July 27, 2004

19. The Committee has been working with the Reports Analysis Division since early July to amend the previously filed FEC reports and schedules to properly report and disclose all transactions related to the campaign. There have been other problems associated with the FEC reporting software (unrelated to the loans) regarding the FEC reports and which the Committee has been working diligently to resolve in order that the FEC reports are filed properly.

20. On July 30, 2004, David Huffman, Dean Proctor, Jamie Parsons and counsel met with the Office of General Counsel in Washington, D.C. at the Commission's offices and disclosed the facts and circumstances regarding the loan(s), the repayment and the reporting issues.

Documentation:

August 2, 2004 – letter from Cleta Mitchell to Lawrence Calvert, FEC

21. On August 5, 2004, the Committee amended its April Quarterly report, its July Quarterly / pre-primary report and filed its pre-runoff report, disclosing all transactions related to the

campaign since inception, in full compliance with FEC reporting requirements, and after consulting with the FEC regarding the proper way to disclose and report all transactions

Documentation: See FEC Filings on August 5, 2004:
 Amendments to April Quarterly, July Quarterly Reports
 Pre-Runoff Report

28044191353

P.O. BOX 467
NEWTON, NC 28658

Borrower(s):
L. DAVID HUFFMAN
NEWTON, NC 28658

SIMPLE INTEREST
PROMISSORY NOTE
and
SECURITY AGREEMENT

COPY

Loan Number [REDACTED]
Reference Number [REDACTED]
Date 03-30-2004
Loan Amount 100,000.00
Maturity Date 06-30-2004

FOR MONEY BORROWED the Borrower(s) signing below (hereinafter "Borrower" whether one or more), jointly and severally, promises to pay to PEOPLES BANK (hereinafter "Bank"), or order, at any office of Bank, the principal sum of One Hundred Thousand and 00/100 Dollars (\$ 100,000.00), plus interest from and including 03-30-2004 at the rate of Peoples Bank's Prime Rate per year, on the unpaid balance until paid. All interest calculations will be based on a 360 day year. Payment shall be made as follows:
One Principal payment of \$100,000.00 and all accrued interest due on 06-30-2004.

PAID BY RENEWAL

JUL 21 2004

PEOPLES BANK
NEWTON, N.C.

If the Borrower has obtained credit life insurance and/or credit disability insurance, the payment amount set forth above includes the premium for such insurance, which the Borrower agrees to pay.

The amount of the final payment required to discharge the indebtedness in full may be different from any final payment amount set forth above because the schedule set forth above assumes that all amounts will be paid on exact due dates, and interest will accrue daily on the principal balance outstanding. If this obligation has a variable rate, the final payment amount may also be increased or decreased as a result of changes in the interest rate. Notwithstanding anything in this Promissory Note to the contrary, unless sooner due and payable pursuant to the terms of this Promissory Note, all remaining unpaid principal, interest and other sums evidenced by this Promissory Note shall be due and payable in full on the Maturity Date set forth above.

☐ (Checked if applicable.) In the event periodic accruals of interest shall exceed the periodic fixed payment amount, the fixed payment amount shall be immediately increased, or additional supplemental payments required on the same periodic basis as specified herein (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for so long as the interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect changes in the variable interest rate. In no event shall the fixed payment amount be reduced below the original fixed payment amount specified above.

The purpose of this loan is BUSINESS INVESTMENT - Business Use

☒ Single Advance: Borrower will receive all of this principal sum on 03-30-2004. No additional advances are contemplated under this Promissory Note.
☐ Multiple Advance: The principal sum shown above is the maximum amount of principal Borrower can borrow under this Promissory Note.
On [REDACTED] Borrower will receive the amount of \$ [REDACTED] and future principal advances are contemplated.

The time for making payments is of the essence. Unless otherwise agreed or required by law, each payment shall be applied in such order and manner as the Bank may elect to unpaid interest, fees, premiums, other charges and to principal. Prepayments may, at the Bank's discretion, be applied in reverse order of the dates periodic payments are due.

☒ Variable Rate Terms. (Checked if applicable.) If checked, this loan has a variable interest rate, and the provisions set forth in this paragraph are applicable. When used as a variable rate, "Prime Rate" means the "Prime Rate" designated by the Bank from time to time as its "Prime Rate", which is not necessarily the lowest rate charged by the Bank to its borrowers. When used as a variable rate, "WSJ Prime Rate" means the "Prime Rate" published in the "Money Rates" section of the Wall Street Journal, Eastern Edition; provided, however, if more than one "Prime Rate" is so published, the highest "Prime Rate" shall be used. Where this obligation contains a variable rate it is agreed that the rate will change:

☒ daily as of the date that the Peoples Bank's Prime Rate changes.

☐ as of the first day of the calendar month next following the most recent change in the [REDACTED] or

☐ as of the first day of the calendar quarter next beginning after the most recent change in the [REDACTED]

(Applicable box is checked. If no box is checked, the rate will change daily as of the date the applicable index changes.) The interest rate shall not exceed the maximum rate authorized by applicable law.

Security Interest: As security for the payment of all indebtedness evidenced by this Promissory Note, the payment of all other present, existing or future debts of any Borrower to Bank and the performance of all other obligations of any Borrower to Bank, Borrower hereby grants to the Bank a security interest in all amounts on deposit with the Bank or owed to the Borrower by the Bank, and Borrower and each person or entity signing this Promissory Note and Security Agreement as a Grantor (hereinafter "Grantor", whether one or more) hereby grant to the Bank a Security Interest in all of the property ("Collateral") described below, and together also with all proceeds of the Collateral (including insurance proceeds and unearned premiums) and all parts or accessories now or hereafter attached to tangible Collateral. Notwithstanding anything herein to the contrary, if the Collateral described below consists of property which will be used as the principal dwelling of any Borrower, then such Collateral shall only secure the indebtedness and other obligations evidenced by this Promissory Note and shall not secure any other present, existing or future debts of any Borrower.

Description of Collateral:

PEOPLES BANK CERT. OF DEPOSIT [REDACTED] IN THE NAME OF L. DAVID HUFFMAN
IN THE AMOUNT OF \$100,000.00 AT A RATE OF
2.00% AND ALL RENEWALS THEREOF.

Agreements, Obligations and Affirmations of Borrower and Grantor: Borrower and any Grantor agree to insure all tangible Collateral against theft, loss, and destruction with policies acceptable to the Bank and payable to the owner of such Collateral and Bank as their interest may appear. Bank may act as attorney in adjusting and canceling any such insurance coverage and in endorsing any insurance draft. Borrower and Grantor appoint Bank as their attorney in fact to execute any financing statements or other documents, or do any act which Bank deems necessary to protect or realize upon its interest in the Collateral.

Borrower and Grantor agree: Not to dispose of the Collateral without Bank's consent; to keep the Collateral free from liens; unless it is delivered to the Bank, the Collateral will be kept principally at the address of the owner of such Collateral in this State; to pay all ad valorem taxes or other assessments and charges associated with ownership of the Collateral; and that the Collateral will not be changed, misused, used for illegal purposes or allowed to deteriorate, reasonable wear and tear excepted. Unless otherwise agreed neither the Borrower nor any Grantor will affix tangible Collateral to real property or to other personal property.

any stock dividend is declared, or any stock split may be made, the right to subscribe issued, all certificates and rights shall be promptly endorsed and delivered to the Bank as additional Collateral. Borrower and Grantor will also pledge and deliver to the Bank, upon demand, additional Collateral satisfactory to the Bank and in accordance with all margin requirements. Bank can, at its option, purchase insurance or perform any other obligations of the Borrower or an Grantor for the account of the Borrower and unless the Bank is promptly reimbursed for such advances, Bank may, as of the day of such advance, add such advance to the unpaid balance of the principal of the debt evidenced by this Promissory Note, and increase any periodic payments proportionately. The Bank may assign this Promissory Note as Security Agreement and the assignee shall be entitled to all rights and remedies hereunder.

Grounds for Default: Borrower shall be in default upon (a) failure of any Borrower or Guarantor to pay any amount due to the Bank as agreed, (b) noncompliance with or nonperformance of any Borrower's or Guarantor's obligations, affirmations, warranties or agreements hereunder or under any other instrument or agreement executed by any Borrower or Guarantor in favor of the Bank now existing or hereafter arising, including, without limitation, any loan agreement, loan commitment, promissory note, deed of trust security agreement or assignment, (c) the death, or declaration of incompetency, of any individual Borrower or any guarantor or other person or entity obligated to pay the indebtedness evidenced hereby (or the dissolution, merger or reorganization of any corporate Borrower or any corporate guarantor or other person or entity obligated to pay the indebtedness evidenced hereby), (d) loss or destruction of any collateral securing payment to the Bank, (e) filing of any petition in bankruptcy, reorganization or insolvency, by or against any Borrower or Guarantor or guarantor or other person or entity obligated to pay the indebtedness evidenced hereby, (f) determination by the Bank that any information supplied to the Bank by the Borrower or Guarantor or any guarantor in connection with this credit is materially false or incomplete, (g) any guarantor failing to satisfy or comply with the terms of any guaranty agreement in favor of the Bank, (h) determination by the Bank that the prospect of payment of this obligation is impaired, or (i) the Bank deeming itself insecure.

Remedies Upon Default: Upon the occurrence of a default, the Bank may, without notice, declare all amounts due hereunder, and under any other obligation of Borrower to the Bank, immediately due and payable. All amounts due to the Bank after the Bank declares Borrower in default shall bear interest at 16% per annum until paid, but not in excess of the maximum rate allowed by law. Upon such default the Bank shall have all rights and remedies available under the law, including but not limited to all rights and remedies under the Uniform Commercial Code, and the Bank may enter upon Borrower's or Grantor's premises to take possession of the Collateral or render it unusable. Bank may dispose of Collateral within or without this State at public or private sale (at which public sale the Bank may be the purchaser) with or without having the Collateral present at the sale. If the Collateral is sold, notice of such sale (or notice of the date after which a private sale may be conducted) shall be posted or mailed to the Borrower or any Grantor, at their last known address, at least five business days before such sale, and any such posting or mailing shall constitute reasonable notice or advertising. Upon default, Borrower agrees to pay the Bank such reasonable attorney fees as may be allowed by law. Borrower will also pay all reasonable costs (including attorney fees) incurred by the Bank in exercising its rights and remedies hereunder regardless of whether suit is commenced, including any costs of repossessing, storing or protecting the Collateral, or protecting the Bank's interest therein. The Bank shall have no obligation to foreclose upon or take any other action with respect to the Collateral; however, if the Bank does dispose of all or any part of the Collateral, and the net proceeds of such disposal are insufficient to discharge the entire indebtedness evidenced hereby (including, without limitation, attorneys fees and other collection expenses), then the Borrower shall remain obligated to pay any such deficiency on demand. In addition to all other rights and remedies provided to the Bank herein or by law or equity, in the event of a default hereunder, the Bank, to the fullest extent permitted by applicable law, without advance notice to any Borrower, any Grantor or other person, may set off and apply to the indebtedness evidenced hereby, any and all deposits at any time held and any other indebtedness at any time owing by the Bank to or for the credit of any Borrower or any party obligated to pay this Promissory Note or any portion thereof.

Late Charges: Unless this Promissory Note is payable in a single payment, and not by installments of interest or principal and interest, Borrower agrees to pay a late fee of 4% of the amount of any payment unpaid for 15 days or more after the end of the calendar month in which such payment is due (or 30 days or more after the end of such month if interest is paid in advance.)

Waivers: Any failure of the Bank to declare a default, or otherwise exercise any right or remedy available to it, shall not constitute a waiver by the Bank of any such right or remedy. All parties to this Promissory Note and Security Agreement, including each Borrower, each Grantor and any sureties, endorssers, or guarantors hereby waive protest, presentment, notice of dishonor and all other notices required by law. All parties agree to remain bound hereunder notwithstanding any release of other parties, the release or surrender of collateral, or any extension of time for payment. The validity, interpretation and enforcement of this Promissory Note and Security Agreement shall be in accordance with North Carolina law.

This Promissory Note and Security Agreement is delivered in and shall be construed under the internal laws and judicial decisions of the State of North Carolina, and, to the extent the same may be applicable, the laws of the United States. In any litigation in connection with or to enforce this Promissory Note and Security Agreement against any person, including, but not limited to, any maker, surety, guarantor, grantor or endorser, each such obligor irrevocably consents to and confers personal jurisdiction on the courts of the State of North Carolina or the United States courts located in the State of North Carolina, and expressly waives any objections as to venue in any such courts, and agrees that service of process may be made on such obligor by mailing a copy of the summons and complaint to them by registered or certified mail, return receipt requested. Nothing contained herein shall, however, prevent the Bank or any other holder of this Promissory Note and Security Agreement from bringing any action or exercising any rights within any other state or jurisdiction or from obtaining personal jurisdiction by any other means available by applicable law.

IN TESTIMONY WHEREOF, each individual Borrower and Grantor has executed this Agreement under seal, and each Borrower and Grantor which is not an individual has caused this Agreement to be executed under seal by its duly authorized officer, partner or manager and each person or entity signing which is not a corporation adopts as the seal of such person or entity the word "SEAL" appearing beside the name of such person or entity.

PEOPLES

By : _____

GRANTORS (providing collateral, but not obligated to pay principal or interest unless pursuant to a separate guaranty or other agreement)

(SEAL)

(SEAL)

BORROWERS:

David Huffman (SEAL)

____ (SEAL)

____ (SEAL)

____ (SEAL)

Name of Corporation _____
By: _____ President
Attest _____ Secretary (Corporate Seal)

Name of Corporation _____
By: _____ President

Attest _____ Secretary (Corporate Seal)

[illegible][illegible]

Date Opened: 3/30/04 Term: 91 Days #103 Tax ID: [REDACTED] Number: [REDACTED]
Account Number: [REDACTED]

**CERTIFICATE OF DEPOSIT COPY
AND
CERTIFICATE OF DEPOSIT SIGNATURE CARD**

Amount of Deposit: ONE HUNDRED THOUSAND AND NO/100 \$ 100,000.00
This Time Deposit is issued to:

Issuer: PEOPLES BANK
NEWTON 011
PO BOX 647
NEWTON NC 28658

L DAVID HUFFMAN

NEWTON NC 28658

Not Negotiable - Not Transferable - Additional terms are below.

By: *David Huffman*

Additional Terms and Disclosures

This form contains the terms for your time deposit. It is also the Truth-in-Savings disclosure for those depositors entitled to use. There are additional terms and disclosures on page two of this form, some of which explain or expand on those below. You should keep one copy of this form.

Maturity Date: This account matures 5/30/04

(See below for renewal information.)

Rate Information: The interest rate for this account is 2.000% with an annual percentage yield of 2.000%. This rate will be paid until the maturity date specified above. Interest begins to accrue on the business day you deposit any noncash item (for example, a check).

Interest will be compounded MATURITY

Interest will be credited MATURITY

☒ The annual percentage yield assumes that interest remains on deposit until maturity. A withdrawal of interest will reduce earnings.

☐ If you close your account before interest is credited, you will not receive the accrued interest.

Minimum Balance Requirement: You must make a minimum deposit to open this account of \$ 500.00

☒ You must maintain this minimum balance on a daily basis to earn the annual percentage yield disclosed.

Withdrawals of Interest: Interest ☐ accrued ☐ credited during a term can be withdrawn:

Early Withdrawal Penalty: If we consent to a request for a withdrawal that is otherwise not permitted you may have to pay a penalty. The penalty will be an amount equal to: 3 MONTHS

Interest on the amount withdrawn.

TIN: [REDACTED] SOCIAL SECURITY OR EMPLOYER'S I.D. NUMBER - Under penalty of perjury I certify that the above number is my correct taxpayer identification number.

☒ Backup Withholding - Under penalty of perjury I certify that I am a U.S. person (including a U.S. resident alien) and that I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding. DATE 3-30-04

Removal Policy:

☐ Single Maturity: If checked, this account will not automatically renew. Interest ☐ will ☐ will not accrue after maturity.

☒ Automatic Renewal: If checked, this account will automatically renew on the maturity date. (see page two for terms)

Interest ☒ will ☐ will not accrue after final maturity.

ACCOUNT OWNERSHIP: You have requested and intend the type of account marked below.

☒ Individual ☐ Joint Account - No Survivorship

☐ Trust: Separate Agreement Dated

☐ BANK JOINT ACCOUNT WITH RIGHT OF SURVIVORSHIP G.S. § 33-146.2

We, the undersigned, understand that by establishing a joint account under the provisions of North Carolina General Statute § 33-146.1 that:

1. The bank may pay the money in the account to, or on the order of, any person named in the account unless we have agreed with the bank that withdrawals require more than one signature; and
2. Upon the death of one joint owner the money remaining in the account will belong to the surviving joint owners and will not pass by inheritance to the heirs of the deceased joint owner or be controlled by the deceased joint owner's will.

We DO elect to waive the right of survivorship in this account.

☒ BANK PAYABLE ON DEATH ACCOUNT G.S. § 33-146.2

I/We, the undersigned, understand that by establishing a Payable on Death account under the provisions of North Carolina General Statute § 33-146.2 that:

1. During my/our lifetime I/we, individually or jointly, may withdraw the money in the account; and
2. By written direction to the bank I/we, individually or jointly, may change the beneficiary or beneficiaries; and
3. Upon my/our death the money remaining in the account will belong to the beneficiary or beneficiaries, and the money will not be inherited by my/our heirs or be controlled by my/our will.

Name and Address of Beneficiary/Beneficiaries:

The NUMBER OF ENDORSEMENTS needed for withdrawal or any other purpose is:

PROXY SIGNATURE TO THE TERMS STATED ON PAGE 1 AND PAGE 2.

David Huffman

David Huffman

DEFINITIONS: As used in these Terms and Conditions on page 2, "we," "our," and "us" mean the issuer of this account and "you" and "your" mean the depositor(s). "Account" means the original certificate of deposit as well as the deposit book evidences.

TRANSFER: "Transfer" means any change in ownership, withdrawal rights, or survivorship rights, including (but not limited to) any pledge or assignment of this account as collateral. You cannot transfer this account without our written consent.

PRIMARY AGREEMENT: You agree to keep your funds with us in this account until the maturity date. (An automatically renewable account matures at regular intervals.) You may not transfer this account without first obtaining our written consent. You must present this certificate when you request a withdrawal or a transfer.

This account is void if the deposit is made by any method requiring collection (such as a check) and the deposit is not immediately collected in full. If the deposit is made or payable in a foreign currency, the amount of the deposit will be adjusted to reflect final exchange into U.S. dollars.

We may change any term of this agreement. Rules governing changes in interest rates have been provided. For other changes we will give you reasonable notice in writing or by any other method permitted by law.

If any notice is necessary, you all agree that the notice will be sufficient if we mail it to the address listed on page one of this form. You must notify us of any change.

WITHDRAWALS AND TRANSFERS: Only those of you who sign the personal signature card may withdraw funds from this account. (In appropriate cases, a court appointed representative, a beneficiary of a trust or pay-on-death account whose right of withdrawal has matured, or a newly appointed and authorized representative of a legal entity may also withdraw from this account.) The specific number of you who must agree to any withdrawal is written on page one in the section bearing the title "... Number of Endorsements ...". This means, for example, that if two of you sign the signature card but only one endorsement is necessary for withdrawal then either of you may request withdrawal of the entire account at any time.

These same rules apply to define the names and the number of you who can request our consent to a transfer.

PLEDGES: Any pledge of this account (to which we have agreed), must first be satisfied before the rights of any joint account survivor, pay-on-death beneficiary or trust account beneficiary become effective. For example, if one joint tenant pledges the account for payment of a debt and then dies, the surviving joint tenant's rights in this account are subject first to the payment of the debt.

ACCOUNT OWNERSHIP: You intend these rules to apply to this account depending on the form of ownership and beneficiary designation. If any, specified on page 1. We make no representations as to the appropriateness or effect of the ownership and beneficiary designations, except as they determine to whom we pay the account funds.

Individual Account - Such an account is owned by one person.

Joint Account - With Survivorship - Such an account is issued in the name of two or more persons. Each of you intends that regardless of whose funds are deposited in the account, upon your death the balance in the account (subject to any previous pledge to which we have consented) will belong to the survivor(s). If two or more of you survive, you will own the balance in the account as joint tenants with survivorship until you inform us of a change in ownership or close this account. This agreement is governed by North Carolina General Statutes §53-146.1.

Joint Account - No Survivorship - Such an account is issued to two or more persons but none of you intends (merely by opening this account) to create any right of survivorship in any other person. We encourage you to agree and tell us in writing of the percentage of the deposit contributed by each of you. This information will not, however, affect the "number of endorsements" necessary for withdrawal.

Payable on Death (POD) Account (subject to this form) - A beneficiary acquires the right to withdraw only if (1) the person creating the account dies, and (2) the beneficiary is then living. The person creating this account type reserves the right to: (1) change beneficiary; (2) change account type; and (3) withdraw all or any part of the deposit at any time. This agreement is governed by North Carolina General Statutes §53-146.2.

Trust Account Subject to Separate Agreement - We will abide by the terms of any separate agreement which clearly pertains to this account and which you file with us. Any additional consistent terms stated on this form will also apply.

SET-OFF: You each agree that we may (without prior notice and when permitted by law) set off the funds in this account against any due and payable debt owed to us now or in the future, by any of you having the right of withdrawal, to the extent of such person's or legal entity's right to withdraw. If the debt arises from a note, "any due and payable debt" includes the total amount of which we are entitled to demand payment under the terms of the note at the time we set off, including any balance due date for which we properly accelerate under the note. This right of set-off does not apply to this account if: (a) it is an Individual Retirement Account or other tax-deferred retirement account, or (b) the debt is created by a consumer credit transaction under a credit card plan, or (c) the debtor's right of withdrawal arises only in a representative capacity. You agree to hold us harmless from any claim arising as a result of our exercise of our right of set-off.

BALANCE COMPUTATION METHOD: We use the daily balance method to calculate the interest on this account. This method applies a daily periodic rate to the principal in the account each day.

TRANSACTION LIMITATIONS: You cannot make additional deposits to this account during a term (other than credited interest). You cannot withdraw principal from this account without our consent except on or after maturity. (For accounts that automatically renew, there is a ten day grace period after each renewal date during which withdrawals are permitted without penalty.)

In certain circumstances such as the death or incompetence of an owner of this account, law permits, or in some cases requires, the waiver of the early withdrawal penalty.

FOR ACCOUNTS THAT AUTOMATICALLY RENEW: Each renewal term will be 91 DAYS beginning on the maturity date (unless we notify you, in writing, before a maturity date, of a different term for renewal).

You must notify us in writing before or within a _____ day grace period after the maturity date if you do not want this account to automatically renew.

Interest earned during one term that is not withdrawn during or immediately after that term is added to principal for the renewal term.

The rate for each renewal term will be determined by us on or just before the renewal date. You may call us on or shortly before the maturity date and we can tell you what the interest rate will be for the next renewal term. On accounts with terms of longer than one month we will notify you in advance of the renewal and tell you when the rate will be known for the renewal period.

See your plan disclosure if this account is part of an IRA or Keogh.

ASSIGNMENT OF DEPOSIT ACCOUNT

TO: **PEOPLES BANK**
420 WEST A STREET
P.O. BOX 467
NEWTON, NC 28658

Loan Number
 Reference Number
 Date 03-30-2004
 Loan Amount 100,000.00

FOR VALUE RECEIVED, the undersigned (whether one or more) hereby assigns to PEOPLES BANK
 (hereinafter "Bank") as security for the payment of a promissory note or other debt obligation of the following
L DAVID HUFFMAN (hereinafter "Borrower")
 having a principal amount or credit limit of \$ 100,000.00 ☒ of even date herewith; ☐ dated , the following:

- ☐ Assigned \$ Account # of at
- ☐ Assigned \$ Account # of at
- ☐ Assigned \$ Account # of at
- ☐ Assigned \$ Account # of at

- ☒ Certificate of Deposit issued by PEOPLES BANK, Number dated 03-30-2004, together with all renewals, roll overs, extensions or proceeds therefrom. Value \$ 100,000.00
- ☐ Certificate of Deposit issued by , Number dated , together with all renewals, roll overs, extensions or proceeds therefrom. Value \$
- ☐ Certificate of Deposit issued by , Number dated , together with all renewals, roll overs, extensions or proceeds therefrom. Value \$
- ☐ Certificate of Deposit issued by , Number dated , together with all renewals, roll overs, extensions or proceeds therefrom. Value \$

The Account(s) and/or Certificate(s) of Deposit referenced above is/are hereinafter referred to as "Deposit Account(s)".

The assignment shall be a continuing one and shall be effective for any renewals or extensions of sums due by the Borrower under the promissory note or other debt obligation referenced above until all amounts due to the Bank secured by this assignment have been paid in full. The Bank's security interest in the Deposit Account(s) referenced above shall also serve as security for the payment of any other debts or liabilities of the Borrower to the Bank now in existence or hereafter arising. The undersigned hereby agrees that this Assignment shall be unaffected by (i) the extension of additional indebtedness to Borrower by Bank which is secured hereby, (ii) any change, alteration, renewal, extension, termination, compromise, surrender, waiver or release with respect to any obligation secured hereby, (iii) any release substitution, modification, waiver or other action taken with respect to any other party who may be liable for any obligation secured hereby or with respect to any other collateral which might secure any such obligation.

The undersigned hereby irrevocably authorizes and empowers the Bank at any time, in its own name or in the name of the undersigned, to demand, apply for withdrawal, receive and give acquittance for any and all sums which are or will become due and payable under said Deposit Account(s), and to execute any and all instruments required therefor, and to apply such monies toward payment of the indebtedness secured by this Assignment in such order of application as the Bank may determine, all without notice to the undersigned. The financial institution whose Deposit Account(s) are hereby assigned is hereby specifically authorized and directed on demand of the Bank to pay said account and all monies hereby assigned directly to the Bank. Until this Assignment has been released by a writing delivered by the Bank to such financial institution, the undersigned shall have no right to make any withdrawals from any such Deposit Account.

This 30th day of MARCH, 2004.
 Witness: [Signature]
 Witness: [Signature]
DAVID HUFFMAN (Owner) (SEAL)
 (Owner) (SEAL)

FOR BANK USE ONLY

Bank Certification: The above assignment has been properly recorded on all applicable computer records.
 , Bank Official, day of

Acknowledgment by other Financial Institution: We acknowledge receipt of your notice of assignment and agree to restrict withdrawals from and after this date and to hold the Deposit Account(s) solely for the benefit of Bank until Bank's notice to us of Bank's release of such Deposit Account(s).

By:
 Name of Financial Institution
 day of

Notice of Release of Deposit Account(s): This is to advise the acknowledging financial institution referenced above that this Assignment of Deposit Account(s) is hereby released by Bank.

Date:
 Bank Official

COPY

५

DEPOSIT TICKET

DATE 6-17-2004

CURRENCY	CENTS
CASH	
CHECKS	
1 L. D. Huffman	100 000 00
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
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21	
22	
23	
24	
25	
26	
27	
28	
TOTAL BACKS OF ATTACHED LIST	
TOTAL	100 000 00

88-30/531
750TOTAL
ITEMS

CHECKS AND OTHER ITEMS ARE SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT. DEPOSITORS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.

HUFFMAN FOR CONGRESS
PO BOX 442
NEWTON, NC 28658


FIRST CITIZENS
BANK
First Citizens Bank & Trust Company
Newton, N.C. 28658
www.firstcitizens.com

\$ 100 000.00



	Sheriff L. David Huffman Diane Huffman PO Box 442 Newton, NC 28658	11529 Date <u>June 17, 2004</u>
	Pay to the Order of <u>Duffman for Congress</u>	\$100,000.00
<u>One hundred thousand dollars + 00/100</u> Dollars		Quest
FIRST CITIZENS BANK First Citizens Bank & Trust Company Newton, N.C. 28658 www.firstcitizens.com	For <u>Diane Huffman</u>	


28044191361


 Sheriff L. David Huffman
Biane Huffman
[Redacted] Box 442
Freetown, P.R. 28658

11529

Date June 17, 2004 16-30/01 758

Pay to the Order of Duffman for Congress \$100,000.00

One hundred thousand dollars + 00/100 Dollars @ 

 **FIRST CITIZENS BANK**
First Citizens Bank & Trust Company
Freetown, P.R. 28658
www.fc-bank.com

Quest

For Don Duffman

1-800-812-1177

This is a type of this document has been
prior to a post-printed security
prints in order to deter fraud.

Do Not Cook It:

- Do not clean or dry the words
- The security features will be shown
- The words "VOID" appears in the right
- If the words "VOID" appear in
- the words "VOID" appear in
- the words "VOID" appear in

CREDITED TO THE ACCOUNT OF
THE WITHIN NAMED PAYEE
IN ACCORDANCE WITH PAYEE'S INSTRUCTIONS
ABSENCE OF ENDORSEMENT GUARANTEED
First-Citizens Bank & Trust Co.
NEWTON, NORTH CAROLINA

	View Selection	Posting Date	Amount	Serial No.	Sequence No.	Source	Type	Status	Description
1	1	06/17/2004	\$100,000.00	11529		Check	Debit	Post	Check

28044191362

420 WEST A STREET
P.O. BOX 467
NEWTON, NC 28658

Borrower(s):
L. DAVID HUFFMAN
NEWTON, NC 28658

SIMPLE INTEREST
PROMISSORY NOTE

COPY

Loan Number
Reference Number
Date 06-30-2004
Loan Amount 100,000.00
Maturity Date 09-28-2004

FOR MONEY BORROWED the undersigned (hereinafter "Borrower" whether one or more), jointly and severally, promises to pay to PEOPLES BANK (hereinafter "Bank"), or order, at any office of Bank, the principal sum of One Hundred Thousand and 00/100 Dollars (\$ 100,000.00), plus interest from and including 06-30-2004 at the rate of Peoples Bank's Prime Rate per year, on the unpaid balance until paid. All interest calculations will be based on a 360 day year. Payment shall be made as follows:

One Principal payment of \$100,000.00 and all accrued interest due on 09-28-2004.

If the Borrower has obtained credit life insurance and/or credit disability insurance, the payment amount set forth above includes the premium for such insurance, which the Borrower agrees to pay.

The amount of the final payment required to discharge the indebtedness in full may be different from any final payment amount set forth above because the schedule set forth above assumes that all amounts will be paid on exact due dates, and interest will accrue daily on the principal balance outstanding. If this obligation has a variable rate, the final payment amount may also be increased or decreased as a result of changes in the interest rate. Notwithstanding anything in this Promissory Note to the contrary, unless sooner due and payable pursuant to the terms of this Promissory Note, all remaining unpaid principal, interest and other sums evidenced by this Promissory Note shall be due and payable in full on the Maturity Date set forth above.

☐ (Checked if applicable.) In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased, or additional supplemental interest payments required on the same periodic basis as specified above (increased fixed or supplemental payments to be determined in the sole discretion of the Bank), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for as long as the interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect the changes in the variable interest rate. In no event shall the fixed payment be reduced below the original fixed payment amount specified above.

☐ This Promissory Note is secured by N.A. dated .

The purpose of this loan is BUSINESS INVESTMENT - Business Use.

☒ Single Advance: Borrower will receive all of this principal sum on 06-30-2004. No additional advances are contemplated under this Promissory Note.

☐ Multiple Advance: The principal sum shown above is the maximum amount of principal Borrower can borrow under this Promissory Note. On Borrower will receive the amount of \$ and future principal advances are contemplated.

As security for the payment of all present, existing or future debts to Bank, Borrower hereby grants to Bank a security interest in all amounts on deposit with the Bank or owed to Borrower by the Bank. The time for making payments is of the essence. Unless otherwise agreed or required by law, each payment shall be applied in such order and manner as the Bank may elect to unpaid interest, fees, premiums, other charges and to principal. Prepayments may, at the Bank's discretion, be applied in reverse order of the dates periodic payments are due.

☒ Variable Rate Terms. (Checked if applicable.) If checked, this loan has a variable interest rate, and the provisions set forth in this paragraph are applicable. When used at a variable rate, "Prime Rate" means the "Prime Rate" designated by the Bank from time to time as its "Prime Rate", which is not necessarily the lowest rate charged by the Bank to its borrowers. When used as a variable rate, "WSJ Prime Rate" means the "Prime Rate" published in the "Money Rates" section of the *Wall Street Journal, Eastern Edition*; provided, however, if more than one "Prime Rate" is so published, the highest "Prime Rate" shall be used. Where this obligation contains a variable rate it is agreed that the rate will change

☒ daily as of the date that the Peoples Bank's Prime Rate changes,

☐ as of the first day of the calendar month next following the most recent change in the or

☐ as of the first day of the calendar quarter next beginning after the most recent change in the

(Applicable box is checked. If no box is checked, the rate will change daily as of the date the applicable index changes.) The interest rate shall not exceed the maximum rate authorized by applicable law.

Borrower shall be in default upon (a) failure of any Borrower to pay any amount due to the Bank as agreed, (b) failure of any Borrower to comply with any other obligation to the Bank now existing or hereafter arising, including, without limitation, any failure to comply with the requirements obligations, warranties or agreements set forth in any loan agreement, loan commitment, promissory note, deed of trust, security agreement, assignment or any other agreement with the Bank, (c) the death, or declaration of incompetency, of any individual Borrower or any guarantor or other person or entity obligated to pay the indebtedness evidenced hereby (or the dissolution, merger or reorganization of any corporate Borrower or any corporate guarantor or other person or entity obligated to pay the indebtedness evidenced hereby), (d) loss or destruction of any collateral securing payment to the Bank, (e) the filing of any petition in bankruptcy reorganization, or insolvency by or against any Borrower or guarantor or other person or entity obligated to pay the indebtedness evidenced hereby, (f) determination by the Bank that any information supplied to the Bank by the Borrower or any guarantor in connection with this credit is materially false or incomplete, (g) determination by the Bank that the prospect of payment of this obligation is impaired, (h) any guarantor failing to satisfy or comply with the terms of any guaranty agreement in favor of the Bank, or (i) if Bank deeming itself insecure. Upon determination by the Bank of the existence of any such ground

280441160104
IN WITNESS WHEREOF, the Bank may, without notice, declare all amounts due hereunder, and under any other obligation to the Bank, immediately due and payable. Any failure of the Bank to declare a default, or to otherwise exercise any right or remedy available to it, shall not constitute a waiver by the Bank of any such right or remedy. All amounts due to the Bank after the Bank declares Borrower in default shall bear interest at 16% per annum until paid, but not in excess of the maximum rate allowed by law. In addition to all other rights and remedies provided to the Bank herein or by law or equity, in the event of a default hereunder, the Bank, to the fullest extent permitted by applicable law, without advance notice to any Borrower or other person, may set off and apply to the indebtedness evidenced hereby, any and all deposits at any time held and any other indebtedness at any time owing by the Bank to or for the credit of any Borrower or any party obligated to pay this Promissory Note or any portion thereof.

Upon default, and regardless of whether suit is commenced, Borrower agrees to pay the Bank such reasonable attorney fees as may be allowed by law, plus all other expenses reasonably incurred by the Bank (including attorney fees) in exercising its rights or remedies, enforcing its rights against others, or in storing, protecting, or repossessing any collateral.

Unless this Promissory Note is payable in a single payment, and not by installments of interest or principal and interest, Borrower agrees to pay a late fee of 4.00% of the amount of any payment past due for 15 days or more. All parties to this Promissory Note, including each Borrower and any sureties, endorsers, or guarantors hereby waive protest, presentment, notice of dishonor and all other notices required by law. In the event that any payment shall be past due 15 or more days, I agree to pay a Late Charge; Borrower understands that subsequent payments shall be first applied to the past due payment(s).

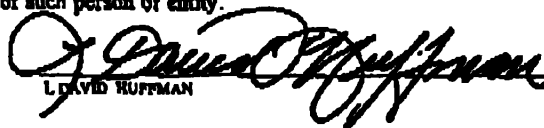
All parties agree to remain bound hereunder notwithstanding any release of other parties, the release or surrender of collateral, or any extension of time for payment.

Any failure of the Bank to declare a default, or otherwise exercise any right or remedy available to it, shall not constitute a waiver by the Bank of any such right or remedy. All parties to this Promissory Note and Security Agreement, including each Borrower, each Grantor and any sureties, endorsers, or guarantors hereby waive protest, presentment, notice of dishonor and all other notices required by law. All parties agree to remain bound hereunder notwithstanding any release of other parties, the release or surrender of collateral, or any extension of time for payment. The validity, interpretation and enforcement of this Promissory Note and Security Agreement shall be in accordance with North Carolina law.

This Promissory Note is delivered in and shall be construed under the internal laws and judicial decisions of the State of North Carolina, and, to the extent the same may be applicable, the laws of the United States. In any litigation in connection with or to enforce this Promissory Note against any person, including, but not limited to, any maker, surety, guarantor, or endorser, each such obligor irrevocably consents to and confers personal jurisdiction on the courts of the State of North Carolina or the United States courts located in the State of North Carolina, and expressly waives any objections as to venue in any such courts, and agrees that service of process may be made on such obligor by mailing a copy of the summons and complaint to them by registered or certified mail, return receipt requested. Nothing contained herein shall, however, prevent the Bank or any other holder of this Promissory Note from bringing any action or exercising any rights within any other state or jurisdiction or from obtaining personal jurisdiction by any other means available by applicable law.

IN TESTIMONY WHEREOF, each individual Borrower has executed this Agreement under seal, and each Borrower which is not an individual has caused this Agreement to be executed under seal by its duly authorized officer, partner or manager and each person or entity signing which is not a corporation adopts as the seal of such person or entity the word "(SEAL)" appearing beside the name of such person or entity.

Witness

 (SEAL)
DAVID HUFFMAN

Witness

(SEAL)

Witness

(SEAL)

Witness

(SEAL)

Name of Corporation

By:

President

Attest

Secretary (Corporate Seal)

(SEAL)
Name of Partnership or Limited Liability Company

By: (SEAL)

By: (SEAL)

By: (SEAL)

By: (SEAL)

By: (SEAL)

Witness

Witness

Witness

Witness

Witness

2804191355

Date: June 30, 2004
Note #

COLLATERAL RECEIVED AS ADDITIONAL AND/OR SUBSTITUTED**Company**

By: _____
By: _____

Collateral released is as follows: Certificate of Deposit [REDACTED] in the name of L. David Huffman

Company

By: [Signature]
By: [Signature]

By:

PEOPLES BANK

COPY

View Printable Version

Attention:

Fax: 111-111-1111

People's Bank
Cashier's Check
Pay to the order of
\$ 31,945.56
THIRTY ONE THOUSAND NINE HUNDRED FORTY FIVE AND 56/100 DOLLARS
DATE: AUG 05 2004
SIGNED: [Signature]
CASHIER'S CHECK
PHEBANK100395565764
DRAWN
\$ 31,945.56

100 E. 10th St. Ste. 100
Wichita, KS 67202
Tel: 316.262.1234
Fax: 316.262.1235

PAY TO THE ORDER OF
FIRST CITIZENS BANK
NEWTON, NC 27044
FOR DEPOSIT ONLY
HUMANITARIAN FOR KOREANS

HUFFMAN FOR CONGRESS

1275

PO BOX 442
NEWTON, NC 28658

DATE 7-19-2004

BG-30/531
750PAY
TO THE
ORDER OF

L. David Huffman

\$ 100,000.00

One Hundred Thousand ¹⁰⁰/₁₀₀

DOLLARS

FIRST CITIZENS BANK
First Citizens Bank & Trust Company
Raleigh, NC 27601
www.firstcitizens.com

FOR Repay Loan in CD from LDH

M. L. O'Neil

28044191367

08/04/04 WED 14:33 FAX

28044191368

Cashier's Check

64-50831 Branch No. 141

6434123

Date 7-19-2004

\$100,000.00

Dollars

FIRST CITIZENS
BANKFirst-Citizens Bank & Trust Company
Raleigh, North CarolinaPay to the order of
Dean Proctor

ONE HUNDRED THOUSAND DOLLARS

This check is payable to the order of the person or entity named in the "Pay to the order of" field. It is not valid unless it is signed by the person or entity named in the "Remitter" field.

Remitter
Payee of Dean Proctor

Judith B. Jones

05-10030X (10/00)

Borrower: **LAWRENCE DAVID HUFFMAN**

Account Number: _____

Note Number: **00001**

Address: _____

NEWTON, NC 28658-0000**BB&T****HICKORY**

, North Carolina

Date: **July 19, 2004****PROMISSORY NOTE**

THE UNDERSIGNED REPRESENTS THAT THE LOAN EVIDENCED HEREBY IS BEING OBTAINED FOR BUSINESS/COMMERCIAL OR AGRICULTURAL PURPOSES. For value received, the undersigned, jointly and severally, if more than one, promises to pay to BRANCH BANKING AND TRUST COMPANY, a North Carolina banking corporation (the "Bank"), or order, at any of Bank's offices in the above referenced city (or such other place or places as may be hereafter designated by Bank), the sum of **ONE HUNDRED FIFTY THOUSAND DOLLARS & 00/100**

Dollars (\$ **150,000.00**), in immediately available coin or currency of the United States of America.

☐ Borrower shall pay a prepayment penalty as set forth in the Prepayment Penalty Addendum attached hereto.

Interest shall accrue from the date hereof on the unpaid principal balance outstanding from time to time at the:

☐ Fixed rate of _____ % per annum.

☒ Variable rate of the Bank's Prime Rate plus **1.000** % per annum to be adjusted **Daily** as the Bank's Prime Rate changes. If checked here ☐, the interest rate will not exceed a(n) ☒ fixed ☐ average maximum rate of _____ % or a ☐ floating maximum rate of the greater of _____ % or the Bank's Prime Rate; and the interest rate will not decrease below a fixed minimum rate of _____ %. If an average maximum rate is specified, a determination of any required reimbursement of interest by Bank will be made: ☐ when Note is repaid in full by Borrower ☐ annually beginning on _____.

☐ Fixed rate of _____ % per annum through _____ which automatically converts on _____ to a variable rate equal to the Bank's Prime Rate plus _____ % per annum which shall be adjusted as such Prime Rate changes.

☐ Principal and interest are payable as follows

☐ Principal (plus any accrued interest not otherwise scheduled herein) } is due in full at maturity on **08/18/2004**

☒ Principal plus accrued interest

☐ Payable in consecutive _____ installments of ☐ Principal ☐ Principal and interest } commencing on _____

and continued on the same day of each calendar period thereafter, in _____ equal payments of \$ _____, with one final payment of all remaining principal and accrued interest due on _____.

☐ ChoiceLine Payment Option: 2% of outstanding balance is payable monthly commencing on _____ and continuing on the same day of each month thereafter, with one final payment of all remaining principal and accrued interest due on _____.

☐ Accrued interest is payable _____ commencing on _____ and continuing on the same day of each calendar period thereafter, with one final payment of all remaining interest due on _____.

☐ Bank reserves the right in its sole discretion to adjust the fixed payment due hereunder _____ on _____ and continuing on the same day of each calendar period thereafter, in order to maintain an amortization period of no more than _____ months from the date of this Note. Borrower understands the payment may increase if interest rates increase.

☐ Prior to an event of default, Borrower may borrow, repay, and reborrow hereunder pursuant to the terms of the Loan Agreement, hereinafter defined.

☐ Borrower hereby authorizes Bank to automatically debit from its demand deposit or savings account(s) with Bank, any payment(s) due under this Note on the date(s) due.

The undersigned shall pay to Bank a late fee in the amount of four percent (4%) of any installment past due for fifteen (15) or more days. When any installment payment is past due for fifteen (15) or more days, subsequent payments shall first be applied to the past due balance. In addition, the undersigned shall pay to Bank a returned payment fee if the undersigned or any other obligor hereon makes any payment at any time by check or other instrument, or by any electronic means, which is returned to Bank because of nonpayment due to nonsufficient funds.

All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days. In the event periodic accruals of interest shall exceed any periodic fixed payment amount described above, the fixed payment amount shall be immediately increased, or additional supplemental interest payments required on the same periodic basis as specified above (increased fixed payments or supplemental payments to be determined in the Bank's sole discretion), in such amounts and at such times as shall be necessary to pay all accruals of interest for the period and all accruals of unpaid interest from previous periods. Such adjustments to the fixed payment amount or supplemental payments shall remain in effect for so long as the interest accruals shall exceed the original fixed payment amount and shall be further adjusted upward or downward to reflect changes in the variable interest rate; provided that unless elected otherwise above, the fixed payment amount shall not be reduced below the original fixed payment amount. However, Bank shall have the right, in its sole discretion, to lower the fixed payment amount below the original payment amount.

This note ("NOTE") is given by the undersigned in connection with the following agreements (if any) between the undersigned and the Bank:

Deed(s) of Trust / Mortgage(s) granted in favor of Bank as beneficiary / mortgages:

☐ dated _____ in the maximum principal amount of \$ _____

granted by _____

☐ dated _____ in the maximum principal amount of \$ _____

granted by _____

Security Agreement(s) granting a security interest to Bank:

- ☐ dated _____ given by _____
- ☐ dated _____ given by _____
- ☐ Securities Account Pledge and Security Agreement dated _____, executed by _____
- ☐ Control Agreement(s) dated _____, covering ☐ Deposit Account(s) ☐ Investment Property
☐ Letter of Credit Rights ☐ Electronic Chattel Paper
- ☐ Assignment of Certificate of Deposit, Security Agreement, and Power of Attorney (for Certificated Certificates of Deposit) dated _____, executed by _____
- ☐ Pledge and Security Agreement for Publicly Traded Certificated Securities dated _____, executed by _____
- ☐ Assignment of Life Insurance Policy as Collateral dated _____, executed by _____
- ☐ Loan Agreement dated _____, executed by Borrower and ☐ Guarantor(s).
- ☐ _____

All of the terms, conditions and covenants of the above described agreements (the "Agreements") are expressly made a part of this Note by reference in the same manner and with the same effect as if set forth herein at length and any holder of this Note is entitled to the benefits of and remedies provided in the Agreements and any other agreements by and between the undersigned and the Bank.

No delay or omission on the part of the holder in exercising any right hereunder shall operate as a waiver of such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or of any other right on any future occasion. Every one of the undersigned and every endorser or guarantor of this note regardless of the time, order or place of signing waives presentment, demand, protest and notices of every kind and assents to any one or more extensions or postponements of the time of payment or any other indulgences, to any substitutions, exchanges or releases of collateral if at any time there be available to the holder collateral for this note, and to the additions or releases of any other parties or persons primarily or secondarily liable.

The failure to pay any part of the principal or interest when due on this Note or to fully perform any covenant, obligation or warranty on this or on any other liability to the Bank by any one or more of the undersigned, by any affiliate of the undersigned (as defined in 11USC Section (101) (2)), or by any guarantor or surety of this Note (said affiliate, guarantor, or surety are herein called Obligor); or if any financial statement or other representation made to the Bank by any of the undersigned or any Obligor shall be found to be materially incorrect or incomplete; or in the event of a default under any of the Agreements or any other obligation of any of the undersigned or any Obligor; or in the event the Bank demands that the undersigned secure or provide additional security for its obligations under this Note and security deemed adequate and sufficient by the Bank is not given when demanded; or in the event one or more of the undersigned or any Obligor shall die, terminate its existence, allow the appointment of a receiver for any part of its property, make an assignment for the benefit of creditors, or where a proceeding under bankruptcy or insolvency laws is initiated by or against any of the undersigned or any Obligor; or in the event the Bank should otherwise deem itself, its security interest, or any collateral unsafe or insecure; or should the Bank in good faith believe that the prospect of payment or other performance is impaired; or if there is an attachment, execution, or other judicial seizure of all or any portion of the Borrower's or any Obligor's assets, including an action or proceeding to seize any funds on deposit with the Bank, and such seizure is not discharged within 20 days; or if final judgment for the payment of money shall be rendered against the Borrower or any Obligor which is not covered by insurance and shall remain undischarged for a period of 30 days unless such judgment or execution thereon is effectively stayed; or the termination of any guaranty agreement given in connection with this Note, then any one of the same shall be a material default hereunder and this Note and other debts due the Bank by any one or more of undersigned shall immediately become due and payable at the option of the Bank without notice or demand of any kind, which are hereby waived. From and after any event of default hereunder, interest shall accrue on the sum of the principal balance and accrued interest then outstanding at the variable rate equal to the Bank's Prime Rate plus 5% per annum ("Default Rate") until such principal and interest have been paid in full, provided that such rate shall not exceed at any time the highest rate of interest permitted by the laws of the State of North Carolina; and further provided that such rate shall also apply after judgement. In addition, upon default, the Bank may pursue its full legal remedies at law or equity, and the balance due hereunder may be charged against any obligation of the Bank to any party including any Obligor. Bank shall not be obligated to accept any check, money order, or other payment instrument marked "payment in full" on any disputed amount due hereunder, and Bank expressly reserves the right to reject all such payment instruments. Borrower agrees that tender of its check or other payment instrument so marked will not satisfy or discharge its obligation under this Note, disputed or otherwise, even if such check or payment instrument is inadvertently processed by Bank unless in fact such payment is in fact sufficient to pay the amount due hereunder.

Unless otherwise required under a Loan Agreement, if applicable, and as long as any indebtedness evidenced by this Note remains outstanding or as long as Bank remains obligated to make advances, the undersigned shall furnish annually an updated financial statement in a form satisfactory to Bank, which, when delivered shall be the property of the Bank.

The term "Prime Rate," if used herein, means the rate of interest per annum announced by the Bank from time to time and adopted as its Prime Rate. The Prime Rate is one of several rate indexes employed by the Bank when extending credit, and not necessarily the lowest rate. Any change in the interest rate resulting from a change in the Bank's Prime Rate shall become effective as of the opening of business on the effective date of the change. If this Note is placed with an attorney for collection, the undersigned agrees to pay, in addition to principal, interest and late fees, if any, all costs of collection, including but not limited to reasonable attorneys' fees. All obligations of the undersigned and of any Obligor shall bind his heirs, executors, administrators, successors, and/or assigns. Use of the masculine pronoun herein shall include the feminine and the neuter, and also the plural. If more than one party shall execute this Note, the term "undersigned" as used herein shall mean all the parties signing this Note and each of them, and all such parties shall be jointly and severally obligated hereunder. Wherever possible, each provision of this Note shall be interpreted in such a manner to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. All of the undersigned hereby waive all exemptions and homestead laws. The proceeds of the loan evidenced by this Note may be paid to any one or more of the undersigned.

From time to time the maturity date of this Note may be extended, or this Note may be renewed in whole or in part, or a new note of different form may be substituted for this Note, or the rate of interest may be modified, or changes may be made in consideration of loan extensions, and the holder hereof, from time to time may waive or surrender, either in whole or in part any rights, guarantees, secured interest, or liens, given for the benefit of the holder in connection with the payment and the securing the payment of this Note; but no such occurrence shall in any manner affect, limit, modify, or otherwise impair any rights, guarantees or security of the holder not specifically waived, released, or surrendered in writing, nor shall the undersigned, or any obligor, either primarily or contingently, be released by reason of the occurrence of any such event. The holder hereof, from time to time, shall have the unlimited right to release any person who might be liable hereon, and such release shall not affect or discharge the liability of any other person who is or might be liable hereon. No waivers and modifications shall be valid unless in writing and signed by the Bank. The Bank may, at its option, charge any fees for the modification, renewal, extension, or amendment of any of the terms of the Note permitted by N.C.G.S. § 24-1.1. In case of a conflict between the terms of this Note and the Loan Agreement or Commitment Letter issued in connection herewith, the priority of controlling terms shall be first this Note, then the Loan Agreement, and then the Commitment Letter. This Note shall be governed by and construed in accordance with the laws of North Carolina.

CREDIT LIFE AND DISABILITY INSURANCE

Subject to certain underwriting criteria and limitations, INDIVIDUAL BORROWERS AND ADDITIONAL CO-MAKERS HAVE THE RIGHT TO REQUEST CREDIT LIFE AND DISABILITY INSURANCE PROTECTION FOR THIS LOAN. One or two Borrowers/Co-makers may be covered by BB&T Credit Life Insurance and one Borrower/Co-maker may be covered by BB&T Credit Disability Insurance. However, the purchase of credit life and credit disability insurance from the Bank is not a condition of obtaining this loan.

I, the undersigned, desire the credit insurance with the cost and terms described below and promise to pay the premium of such insurance coverage. I understand that I may cancel this credit insurance at any time. I represent that, to the best of my knowledge, I am in good health and am insurable.

☐ Product 1 : Complete the following:

CREDIT LIFE INSURANCE		Effective Date	Term In Mos.	Amount Financed	Interest Rate	Credit Life Premium
<input type="checkbox"/> Single	<input type="checkbox"/> Level			\$		\$
<input type="checkbox"/> Joint	<input type="checkbox"/> Decreasing					

CREDIT DISABILITY INSURANCE	Monthly Benefit Amount	Credit Disability Premium
Effective Date and Terms in Mos. Same as Credit Life Insurance Above	\$	\$

Credit Disability Insurance is subject to a 14-day elimination period and a 60-month maximum benefit period. Only the Borrower or Co-Maker who signs the first line under "Signature(s) of Insured" is covered by Credit Disability Insurance.

Date of Birth	Signature(s) of Insured	Total Credit Life and Disability Insurance Premium
	Signature of Primary Insured	
	Signature of Secondary Insured	\$

(SIGNATURES ON FOLLOWING PAGE)

BB&T**PROMISSORY NOTE SIGNATURE PAGE**Borrower: LAWRENCE DAVID HUFFMAN

Account Number: _____

Note Number: 00001Note Amount: \$ 150,000.00Date: 07/19/2004

Notice of Right to Copy of Appraisal: If a 1-4 family residential dwelling is pledged as collateral for this Note, you, the undersigned, have a right to a copy of the real estate appraisal report used in connection with your application for credit. If you wish to receive a copy, please notify in writing the branch office where you applied for credit. You must forward your request to the Bank no later than 90 days after the date of this Note. In your request letter, please provide your name, mailing address, appraised property address, the date of this Note, and the Account and Note Numbers shown on the front of this Note.

IN WITNESS WHEREOF, the undersigned, on the day and year first written above, has caused this note to be executed under seal.

If Borrower is a Corporation:**WITNESS:**

NAME OF CORPORATION

By: _____ (SEAL)

Title: _____

By: _____ (SEAL)

Title: _____

If Borrower is a Partnership, Limited Liability Company, Limited Liability Partnership or Limited Liability Limited Partnership:**WITNESS:**

NAME OF PARTNERSHIP, LLC, LLP OR LLLP

By: _____ (SEAL)

GENERAL PARTNER OR MANAGER

By: _____ (SEAL)

GENERAL PARTNER OR MANAGER

By: _____ (SEAL)

GENERAL PARTNER OR MANAGER

WITNESS:**If Borrower is an Individual**

LAWRENCE DAVID HUFFMAN

Additional Co-makers**WITNESS:**

(SEAL)

(SEAL)

(SEAL)

(SEAL)

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 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO	2232
CONNECTION TEL	
CONNECTION ID	
ST. TIME	07/20 18:08
USAGE T	00'50
PGS. SENT	2
RESULT	OK

FOLEY

July 20, 2004

VIA FACSIMILE (202) 219-0108

FOLEY & LARDNER LLP
 ATTORNEYS AT LAW
 WASHINGTON HARBOUR
 3000 K STREET, N.W., SUITE 500
 WASHINGTON, D.C. 20007-5143
 202.672.5300 TEL
 202.672.5399 FAX
 www.foley.com

WRITER'S DIRECT LINE
 202.296.4081
 cmitchell@foley.com EMAIL

CLIENT/MATTER NUMBER
 999100-0101

Mr. Lawrence Norton
 General Counsel
 Federal Election Commission
 999 E Street, NW
 Washington, D.C. 20463

Re: Huffman for Congress; Lawrence David Huffman

Dear Mr. Norton:

This letter is to follow up on our telephone conversation earlier today regarding the above-referenced committee. Huffman for Congress is the principal authorized campaign committee for Lawrence David Huffman, candidate for the Republican nomination for the U.S. House of Representatives for the 10th District of North Carolina ("Committee").

I was contacted and then retained day before yesterday by leaders of the Committee and Mr. Huffman seeking help with some problems with the Committee's FEC report. During the course of those discussions, I inquired regarding the loans from Mr. Huffman to his campaign and, based upon the facts presented to me at that time, I advised the Committee and Mr. Huffman that it appeared that one of the loans reported to the Commission had not been handled in accordance with Commission regulations and applicable provisions of FECA.

There was no intent to circumvent or violate the law in the matter of the mishandled loan. Rather, this is the first federal campaign for the individuals involved and they were simply unaware of the restrictions in federal law regarding loans for the benefit of federal campaigns. Upon my advice, the Committee and Mr. Huffman immediately took steps yesterday morning and repaid the loan at issue.

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**FOLEY & LARDNER LLP
ATTORNEYS AT LAW**

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202.672.5300 TEL
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July 20, 2004

VIA FACSIMILE (202) 219-0108

**WRITER'S DIRECT LINE
202.295.4081
cmitchell@foley.com EMAIL**

**CLIENT/MATTER NUMBER
999100-0101**

**Mr. Lawrence Norton
General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463**

Re: Huffman for Congress; Lawrence David Huffman

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We are taking steps now to amend the FEC reports to properly disclose the source(s) of the loan which was repaid yesterday and no longer exists, but which did exist for a period of a few weeks.

In addition, the Committee leadership and Mr. Huffman requested my assistance in immediately advising the Commission of their error and asking for the opportunity to seek the Commission's guidance regarding this matter, which was the reason for my call earlier this afternoon.

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SACRAMENTO
SAN DIEGO
SAN DIEGO/DEL MAR**

**SAN FRANCISCO
SILICON VALLEY
TALLAHASSEE
TAMPA**

**TOKYO
WASHINGTON, D.C.
WEST PALM BEACH**

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Mr. Lawrence Norton
July 20, 2004
Page 2

The purpose of my letter is to request a meeting with you and/or your staff at the earliest possible date and to present to your office the details of what has transpired and what has been done so far to correct previous errors. I would stress again that there was no intent to circumvent the law and, upon learning of the FECA requirements governing loans for the benefit of federal campaigns, the individuals associated with the Committee and Mr. Huffman have been dedicated to doing everything in their power to correct the problems.

I am available this week to meet preliminarily with your office should that be convenient for you. Then I am out of state Monday through Wednesday of next week (July 26-28) but could meet later in the week or the following week (July 29, 30 or August 2 - 6).

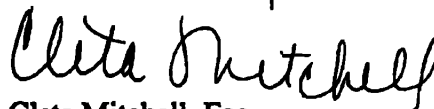
Should you wish to have Mr. Huffman and /or representatives of the Committee present, that can be arranged as well. Since they will be traveling from North Carolina, we would need some advance notice regarding the meeting date and time. They will certainly make themselves available to accommodate your schedule.

The intent here is to fully disclose all transactions and events to the Commission in order that a proper remedy can be determined and to insure that all appropriate steps are being taken to identify and then rectify the errors.

Please contact me at (202) 295-4081 to schedule the meeting or to advise me of any other steps we should take in the interim.

Thank you for your prompt response. Your assistance is greatly appreciated

Sincerely,



Cleta Mitchell, Esq.
Counsel to Huffman for Congress and
Lawrence David Huffman

cc: Mr. Lawrence David Huffman

BB&T**Branch Banking & Trust Co.**

106 2nd Street NW (28601)
P.O. Box 459
Hickory, NC 28603
(828) 304-5000

July 29, 2004

Gene Sigmon
Sigmon, Sigmon & Isenhower
Attorney At Law
26 West A St.
Newton, NC 28658

Dear Mr. Sigmon:

BB&T ("Bank") has agreed to lend \$150,000.00 to Lawrence David Huffman and Diane B. Huffman (Borrower(s)) for a business loan line of credit. The loan will be secured by a 1st Deed of Trust on their personal residence located at [REDACTED] Newton, NC. The borrower has requested that your office handle the closing of this loan. When a closing date is set, please allow a couple of days for documents to be sent to you.

The following documents are to be prepared for execution at the loan closing. Those preceded by an asterisk will be provided by the Bank.

- * 1. Original Note executed by Borrower for the amount of \$150,000.00.
- * 2. Deed of Trust for the amount of \$150,000.00 on BB&T Bank's form to be received within 20 days
- 3. Title insurance in the amount of \$150,000.00 to be received within 20 days of closing
- 4. No loan fee
- 5. Flood certification fee of \$9.00
- 6. Proof of Hazard insurance indicating BB&T as first lien holder and mail to BB&T Insurance Center, PO Box 25610-C, Charlotte, NC 28229. (send copy of binder to Brenda Hodge)
- * 7. Cashiers check in the amount of \$
- 8. Return loan documents to the Bank immediately after closing. Please do not hold closing package until recorded documents and title insurance are received.

PLEASE MAKE CERTAIN ALL DOCUMENTS ARE PROPERLY WITNESSED

Please arrange with the Borrower for your fees and all other closing expenses including but not limited to: any fees for title examinations, surveys, document recordation, and payment of any insurance premiums. Please call our office for further instructions if there is any variance. If you have any questions, please do not hesitate to call Brenda Hodge at (828)304-5107 or me at (828)304-5104.

Sincerely,



Michael B. Dockery
Vice President

28044191377



August 2, 2004

VIA FACSIMILE (202) 219-3923 AND ELECTRONIC MAIL

FOLEY & LARDNER LLP
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cmitchell@foley.com EMAIL

CLIENT/MATTER NUMBER
045955-0101

Mr. Lawrence L. Calvert, Jr.
Deputy Associate General Counsel for Enforcement
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: Huffman for Congress, C00398776

Dear Mr. Calvert:

This is to follow up on the meeting Friday afternoon, July 30, 2004 at your office. Thank you for taking time to meet with my clients David Huffman, Dean Proctor and the Huffman for Congress committee ("the Committee"), represented by its Chairman, Jamie Parsons and me.

We appreciate your prompt response in meeting with us so that we could explain the circumstances and facts surrounding the improper loan to the Committee on June 17, 2004. As my clients said on Friday, the failure to abide by the provisions of the Federal Election Campaign Act of 1971, as amended ("FECA" or "the Act") and the Commission's regulations governing loans to candidates and campaign committees was not intentional, but rather was a result of lack of knowledge of the legal requirements for obtaining such loans.

We are in the process now of gathering all documents related to the transaction(s) at issue as well as developing a chronology of the facts, sworn statements and whatever other information will be of assistance to you in reviewing this matter and ascertaining the appropriate penalties and remedies.

In addition, I spoke at length this morning with the Reports Analysis Division of the Commission and the Committee and I are working with that office to be certain that we amend all previously filed reports properly and that the pre-runoff report due to be filed this Thursday, August 5, 2004 is completely accurate.

As of this writing, we have not yet received formal notice of any FEC Complaint filed against the Committee, the candidate or any other person associated with the Committee or the campaign. My clients' actions have been and continue to be completely voluntary and are taken in the spirit of correcting any and all errors and fully disclosing all transactions in accordance with applicable law.

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Mr. Lawrence L. Calvert, Jr.

August 2, 2004

Page 2

It is my hope that we can submit to your office this week the documentation necessary for you to proceed in reviewing and processing this matter to the next stage.

I will be leaving on vacation on Saturday, August 7, 2004 and returning to the office on Monday, August 16, 2004. Hopefully, you will have received the package of materials from the Committee before my departure in order to allow your office to review the information during my absence. If there is a problem in finalizing the materials before I leave, I will be certain to advise you of the delay and the reasons for it.

Thank you again for your cooperation and assistance. If you need further information, please do not hesitate to contact me at (202) 295-4081.

Sincerely,

/s/ *Cleta Mitchell*

Cleta Mitchell, Esq.
Counsel to Huffman for Congress, et al.

cc: Mr. David Huffman
Mr. Dean Proctor
Mr. Jamie Parsons